

ECONOMIC DEVELOPMENT

The mission of the Office of Economic Development is to catalyze job creation, private investment, revenue generation, and talent development and attraction.

OFFICE OF ECONOMIC DEVELOPMENT

(includes the Office of Cultural Affairs, work2future, and the Convention & Cultural Facilities)

The City of San José's Office of Economic Development (OED) leads the City's economic strategy, provides assistance for business success, manages the City's real estate assets, helps connect employers with trained workers, and supports art and cultural amenities in the community.

OED also manages several incentive programs for businesses, among them the Enterprise Zone which offers state tax credits, the Foreign Trade Zone which eases duties, and the Business Cooperation Program which refunds companies a portion of use taxes.

OED oversees the non-profit operator of the City's Convention & Cultural Facilities and agreements for other City and cultural facilities.

Operating expenditures for OED totaled \$12.6 million* in 2012-13. This includes federal workforce development dollars for the City's work2future office. Additionally, OED also oversees various other funds.

* OED was also responsible for \$3.4 million of Citywide expenses in 2012-13, including a \$1.0 million subsidy to the Tech Museum of Innovation and \$784,000 for History San José. Also does not include all Workforce Investment Act, Business Improvement District, and Economic Development Enhancement funds and expenditures. The City supported the Convention & Cultural Facilities with \$6.9 million.

KEY FACTS (2012-13)

Largest city in the Bay Area (3 rd largest in California, 10 th in the nation)	
Unemployment Rate	8.4%
Median Household Income	\$80,155

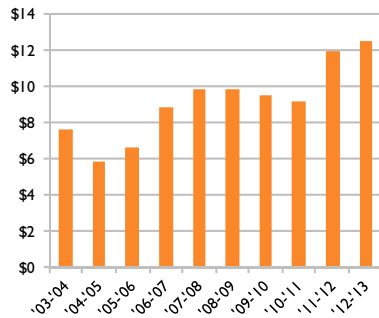
Sources: Bureau of Labor Statistics and 2010-2012 American Community Survey

THE NATIONAL CITIZEN SURVEY™

% of San José residents who found the following "excellent" or "good"

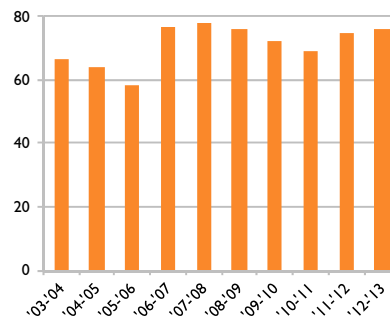
Shopping opportunities	75%
San José as a place to work	68%
Overall quality of business and service establishments	57%
Opportunities to attend cultural activities	53%
Employment opportunities	45%
Quality of economic development	28%

OED Operating Expenditures (\$millions)

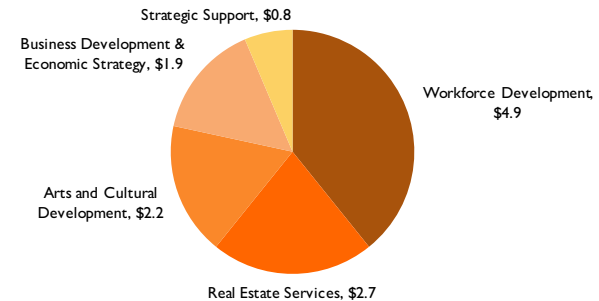


In '11-'12, Real Estate Services was added to OED.

OED Authorized Staffing



OED 2012-13 Expenditures by Service (\$millions)



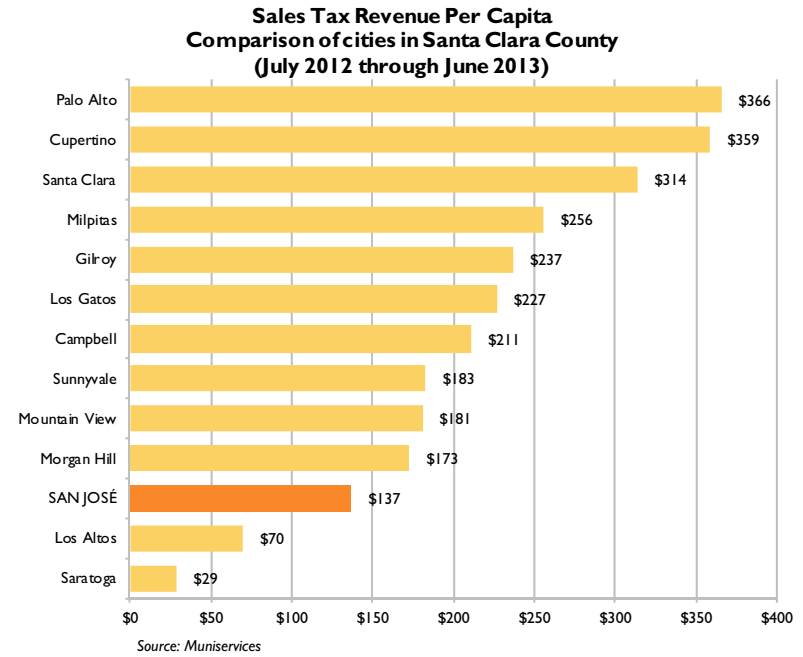
BUSINESS DEVELOPMENT AND JOB CREATION

OED promotes business in the City of San José by providing assistance, information, access to services, and facilitation of the development permit process (also see *Development Services in the Planning, Building and Code Enforcement* section).

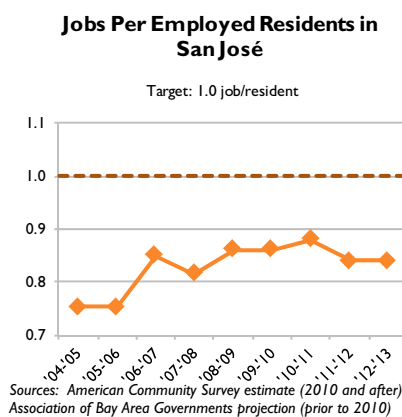
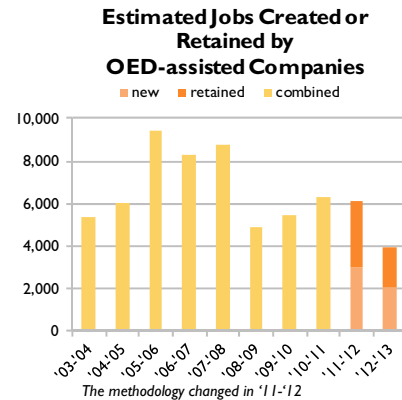
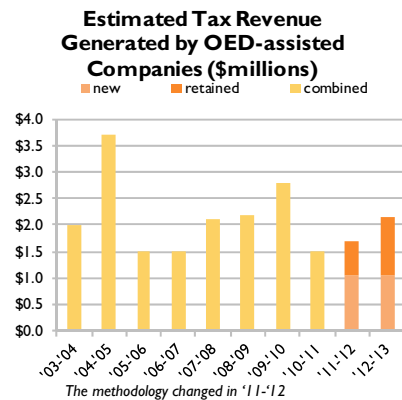
In 2012-13, OED provided development facilitation services to 25 businesses. It also coordinated the Business Owner Space small business network, through which an estimated 41,000 clients received information, technical/human resources support, or other services from partner organizations, for example from SCORE*.

Companies and businesses that received OED assistance created an estimated 2,000 jobs and retained about 1,900 jobs in 2012-13. Tax revenues (business and sales taxes) generated by OED-assisted companies are estimated at \$2.2 million in 2012-13; this was 28 percent more than in the prior year. More than \$2 in tax revenue were generated for every \$1 of OED expenditure on business development.

San José received less sales tax revenue per capita than most of its neighboring cities, only \$137 in 2012-13. Furthermore, San José has less than one job per employed resident, a sign that its balance of jobs and housing is tilted towards housing. In contrast, Palo Alto received \$366 in sales taxes per capita and has a jobs-to-employed residents ratio of about 3 to 1.



* For more information on the small business network, see www.BusinessOwnerSpace.com



Facilitating Corporate & Retail Expansion

Successful efforts in 2012-13 to facilitate corporate and retail expansion/relocation included, but were not limited to:

- Xicato
- Zoll Circulation
- Oracle
- Samsung
- IBM
- Hitachi Global Systems
- Muji Stores
- Whispers Café
- Blackbird Tavern

Source: Office of Economic Development

ECONOMIC STRATEGY 18-MONTH WORKPLAN

Implementation of the Economic Strategy is a collaborative effort that involves ten City departments, with overall leadership provided by the Office of Economic Development. In April 2010, the City Council adopted the Economic Strategy 2010-2015, which was intended to align City staff and other resources in a common direction over a five-year period to aggressively regain jobs and revenue as the national economy recovers, and to create an outstanding business and living environment that can compete with the world's best cities over the long term.

STRATEGIC GOALS (Economic Strategy 2010-2015)	SAMPLE of MAJOR CITYWIDE ACCOMPLISHMENTS in 2012-13
#1 Encourage Companies and Sectors that Can Drive the San José/Silicon Valley Economy and Generate Revenue for City Services and Infrastructure	Recent business expansions and retentions include: Oracle, Samsung, IBM, and Hitachi Global Systems.
#2 Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Vitality	Recent retail expansions reflect renewed interest and investment in downtown and included: Muji Stores, Whispers Cafe, Blackbird Tavern, and Neema Greek Taverna.
#3 Preserve and Strengthen Manufacturing-Related Activity and Jobs	Kicked off San José's manufacturing initiative, partnering with industry, education and training providers, and civic institutions to focus on three core areas: permitting and facilities, workforce, and state and federal policy
#4 Nurture the Success of Local Small Businesses	Launched the Business Coaching Center website, an online interface to help small business owners understand and move through the City of San José's permitting processes. The website aims to demystify the City's Development Services permit and inspection processes. Launched the Creative Industries Incentive Fund, a micro-grant program aimed at stabilizing or growing arts-based small businesses. Held Creative Economic Forum called "Platform" aimed at advancing the small business needs of the creative entrepreneur sector. The City sold its building to MACLA, a contemporary Latino art center, below market rate in exchange for services to creative entrepreneurs.
#5 Increase San José's Influence in Regional, State and National Forums in Order to Advance City Goals and Secure Resources	Worked with the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) to approve <i>Plan Bay Area</i> which includes the region's Sustainable Communities Strategy and the 2040 Regional Transportation Plan.
#6 Improve the Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating a Business in San José	Since March 2012, Development Services staff have processed 388 Special Tenant Improvement (STI) and Industrial Tool Installation (ITI) projects including LSI Logic, Synaptics, Bestronics, Extreme Networks, and Zoll Circulation.
#7 Prepare Residents to Participate in the Economy Through Training, Education, and Career Support	Work2future provided nearly 4,800 individuals with skill-building activities, including certificated workshops, for-credit college courses, and online classes, from training providers on the State's Eligible Training Provider List (ETPL).
#8 Advance the Diridon Station Area as Key Transportation Center for Northern California	The Diridon Station Plan Environmental Impact Report and Near Term Development Plan is near completion and is scheduled for City Council approval in early 2014.
#9 Keep Developing a Competitive, World Class Airport, and Attract New Air Service	Alaska Airlines, ANA, Hawaiian Airlines, and Virgin America have all expanded air service at Mineta San José International Airport in the last fiscal year.
#10 Continue to Position Downtown as Silicon Valley's City Center	Launched the Storefronts Initiative to help fill vacant space in downtown. The Office of Cultural Affairs assumed permitting responsibility for Parque de los Pobladores concurrent with efforts to reduce permit costs and remove barriers to activation in the SoFA arts and entertainment district.
#11 Create More Walkable, Vibrant, Mixed-Use Environments to Spur Interaction and Attract Talent	Urban Village Plans are nearly complete for Five Wounds Neighborhood, The Alameda, Bascom Avenue, and San Carlos Street. Plans are expected to be brought forward for City Council consideration in early 2013-14.
#12 Develop a Distinctive Set of Sports, Arts, and Entertainment Offerings Aligned With San José's Diverse, Growing Population	Completed the sale of the 14-acre parcel for the construction of the San José Earthquakes stadium; construction has begun. Public art projects were unveiled at four libraries, Mexican Heritage Plaza, Starbird Youth Center, Japantown, Bestor Art Park, as part the ZERO1 Biennial, and at the City Hall Windows Gallery. The City partnered with local organizations to support audience engagement campaigns including Live & Local and LiveSV.

Source: Office of Economic Development. For the full Economic Strategy, Workplan updates, and a list of major accomplishments, please visit www.sanjoseca.gov/index.aspx?NID=3331.

WORKFORCE DEVELOPMENT

Under the Workforce Investment Act (WIA), job-seeking clients receive a customized package of services based on an individual needs assessment. The City’s work2future WIA programs serve adults, dislocated (laid-off) workers, and youth, providing job search assistance, occupational training, and skills enhancement workshops through one-stop centers*. Nearly 4,800 job seekers took advantage of skill upgrades and training programs throughout 2012-13. Work2future’s Business Services Unit served 506 business clients, conducting a broad range of activities, including recruitments for Macy’s, Target, Mi Pueblo, PG&E, and other companies. Work2future also hosted job fairs for a variety of companies and job seekers.

ARTS AND CULTURAL DEVELOPMENT

The Office of Cultural Affairs (OCA) promotes the development of San José’s artistic and cultural vibrancy, managing resources to support opportunities for cultural participation and cultural literacy for residents, workers, and visitors. In 2012-13, through its Transient Occupancy Tax-funded *Cultural Funding Portfolio: Investments in Art, Creativity and Culture*, OCA awarded 78 grants totaling \$2.3 million to San José organizations. Contributing to San José’s creative placemaking and high quality design goals, the public art program maintains 251 permanent works throughout San José.

OCA helped facilitate 388 events in 2012-13 with an estimated attendance of over 1.8 million. Large-scale events included the San José Jazz Festival, Italian Family Fest, Dancin’ on the Avenue, the Rock ‘n’ Roll Half Marathon, 2012 ZERO1 Biennial Festival, the Veterans Day Parade, Christmas in the Park, Downtown Ice, and Winter Wonderland. OCA was instrumental in the attraction of signature events such as the Amgen Tour of California, contributing to the City’s cultural and economic development goals.

REAL ESTATE SERVICES

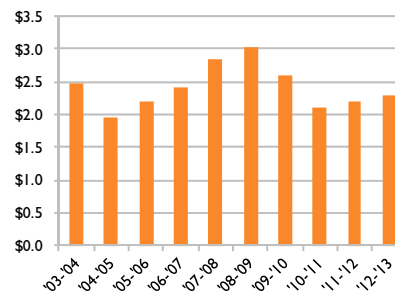
The Real Estate Services and Asset Management (RESAM) unit manages the City’s real estate portfolio, provides real estate services to City departments, and represents the City in third-party transactions. RESAM’s areas of expertise include acquisition, disposition, surplus sales, leasing, relocation, valuation, telecommunications, and property management. RESAM generated nearly \$6.2 million in sales revenue and \$2.2 million in lease revenue in 2012-13.

Workforce Development Program Results

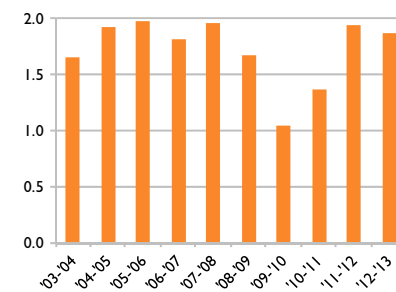
	Number of Participants July '12—June '13	Placed in Jobs Oct '11—Sept '12	Federal Goal	Employed 6 Months after Initial Placement Apr '11—Mar '12	Federal Goal
Adults	2,411	50%	44%	79%	76%
Dislocated Workers	1,021	59%	52%	84%	83%
Youth	271	56%	72%	not applicable	not applicable

* work2future serves San José, Campbell, Morgan Hill, Los Altos Hills, Gilroy, Los Gatos, Saratoga, Monte Sereno, and unincorporated areas of Santa Clara County

Grant Awards for Arts & Cultural Development (\$millions)



Estimated Attendance at Outdoor Special Events (millions)



OCA manages six operations and maintenance agreements with the following nonprofit operators of City-owned cultural facilities: Children’s Discovery Museum, History San Jose, San Jose Museum of Art, San Jose Repertory Theatre, School of Arts and Culture at Mexican Heritage Plaza, and The Tech Museum of Innovation.



Photo: Courtesy of San Jose Museum of Art

OFFICE OF ECONOMIC DEVELOPMENT

CONVENTION & CULTURAL FACILITIES

The City's Convention Facilities (San José McEnery Convention Center, Parkside Hall, South Hall) house exhibitions, trade shows, and conferences. The City's Cultural Facilities (San Jose Civic, Montgomery Theater, California Theatre, Center for the Performing Arts) are home to concerts, plays, and other performances. These facilities have been managed by Team San José, a non-profit, on behalf of the City since July 2004.

With operating revenues of \$23.8 million and operating expenses of \$30.4 million, operating losses totaled \$6.6 million in 2012-13. The facilities relied on support from the City, mainly from transient occupancy (hotel) taxes, to make up the difference. Operating revenues doubled compared to five years ago. Revenues have increased as a result of bringing new lines of business in-house, such as food and beverage services and event production services.

In 2012-13, the facilities drew 1.1 million people to 315 events overall. The number of events increased by 11 percent compared to the prior year, but is still significantly lower than before the economic downturn. Of those events, 122 were at the Convention Facilities, hosting 700,000 visitors. The Convention Center's occupancy rate was 56 percent, compared to 61 percent five years ago.

98 percent of event coordinator clients rated overall service as "good" or "excellent," a result consistent with prior years.

Expansion and Renovation of McEnery Convention Center

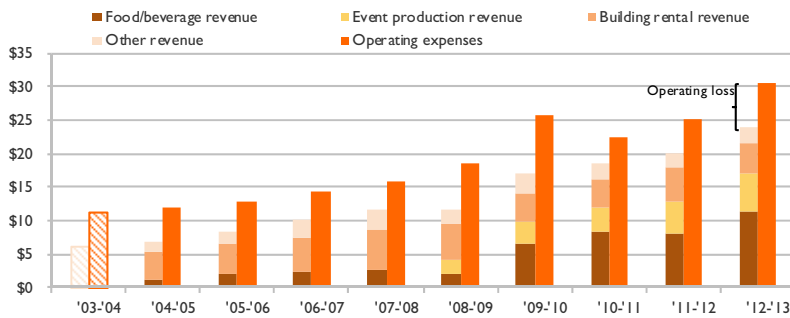
In the fall of 2013, the Convention Center celebrated its grand re-opening after adding 125,000 square feet of flexible ballroom and meeting room space, as well as renovating the existing 425,000 square feet of exhibit, ballroom, and meeting space. The cost of the expansion and renovation was \$130 million, financed mainly through hotel tax revenue bonds.

Expansion and renovation included the installation of a new central utility plant, a new fire alarm system, a direct digital control building management system, Americans with Disabilities Act improvements, and other upgrades. Construction had begun in the summer of 2011.



Photo: Courtesy of Team San Jose

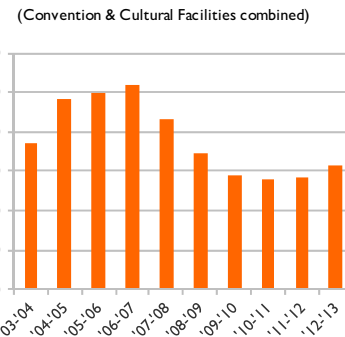
Operating Revenues and Expenses (\$millions)



Source: Audited financial statements

Before '04-'05, the facilities were operated by the City's Department of Convention Facilities.

Number of Events



Attendance (millions)

